

ARTICLE 9

SECTION 1

TYPES OF PROPERTY, PROPERTY RESERVE, AND REDUCTION OF PROPERTY

1. GENERAL

This section describes types of property, differentiation of property and income, property reserve limits, and reduction of excess property regulations. Instructions for completion of form MC 176P, Property Worksheet, are also included in this section.

2. TYPES OF PROPERTY

A. Real Property

Real Property is land or improvements. Improvements generally include any immovable property attached to the land and any oil, mineral, timber, or other rights related to the land. Time shares, campground memberships, etc., which have a real property deed and assessment are treated as real property. Otherwise, they are treated as personal property.

MEM 50074

B. Personal Property

Personal property includes possessions or interests, exclusive of real property, that may be easily transported or stored; including but not limited to cash on hand, bank accounts, notes, mortgages, deeds of trust, cash surrender value of life insurance, motor vehicles, uncollected judgments, an interest in a firm in receivership, a lawsuit, patents, and copyrights.

MEM 50073

3. ENCUMBRANCES

Any type of property may have an encumbrance. Encumbrances of all non-exempt property that is considered in the property determination must be verified.

MEM 50167

4. EXEMPTION STATUS

Property may be either exempt or non-exempt depending on specific conditions that may apply according to MPG Article 9, Sections 2 through 12. Property that has been determined exempt based upon specific conditions loses its exempt status once the conditions are no longer met.

MEM 50401
50403

5. MFBU PROPERTY EVALUATION

Property of all members of the MFBU, as determined in accordance with MPG Article 8, Section 1, must be evaluated to determine:

A. Which property is to be included in determining Medi-Cal eligibility (exempt status); and

B. The value of the non-exempt property; and

C. Whether the total value of the non-exempt property exceeds the property limits.

6. AVAILABILITY AND OWNERSHIP

Property must be evaluated to determine its ownership and availability. Basically, property must be owned by and available to a person in order to affect Medi-Cal eligibility. MPG Article 9, Sections 2 and 3 explain special situations to assist workers in the determination of ownership and availability of property.

7. VERIFICATIONS

A. When to Verify

The verifications required for each type of property are listed in each section.

MEM 50167

Non-exempt property must be verified:

- 1) At initial application and reapplication prior to granting; and
- 2) When a change is reported; and
- 3) At redetermination for items which the worker determines could have appreciated in value since the last verification, and for items not previously verified.

B. Why Verification is Necessary

Verification is required in order to:

- 1) Determine if the property is exempt or nonexempt; and
- 2) Determine the net market value of non-exempt property.

C. Applicant/Beneficiary Responsibilities

Applicant/beneficiary responsibilities and worker responsibilities in obtaining verifications are explained in MPG Article 4, Section 7.

8. DIFFERENTIATION OF PROPERTY AND INCOME

Funds that are counted as income in the month received are not counted as property in the same month. The unexpended portion of income is considered property on the first of the month following the month of receipt. Any exceptions to this are noted in the specific items contained in MPG Article 9, Sections 2 through 12.

9. ITEMS OF PROPERTY TO BE EVALUATED

The items of property to be evaluated are described in MPG Articles 2 through 12. These sections indicate:

- A. Whether all or a portion of the item of property is exempt; and
- B. The method for determining the net market value of the specific item of property; and
- C. The verifications required; and
- D. Any other information necessary to evaluate the property.

10. PROPERTY RESERVE

The property reserve is the net market value of the nonexempt property of all persons whose property is considered in determining the eligibility of the MFBU.

ACWD
89-90

11. PROPERTY LIMIT

- A. The property reserve cannot exceed the following limits:

Number of Persons Whose Property is Considered	Property Limit 1988	Property Limit 1989 and Ongoing	QMB Property Limit * 1989 and Ongoing
1 person	\$1,900	\$2,000	\$4,000
2 persons	\$2,850	\$3,000	\$6,000
3 persons	\$3,000	\$3,150	
4 persons	\$3,150	\$3,300	
5 persons	\$3,300	\$3,450	
6 persons	\$3,450	\$3,600	
7 persons	\$3,600	\$3,750	
8 persons	\$3,750	\$3,900	
9 persons	\$3,900	\$4,050	
10 or more persons	\$4,050	\$4,200	

- * See Article 5 Section 13 for QMB property rules.
Maximum size of QMB MFBU is two persons when evaluating property.

- B. The members of the MFBU will be ineligible to Medi-Cal benefits if the property reserve exceeds the limit during an entire month.
- C. If the property reserve exceeds the limit during the month, the MFBU will be eligible as long as the following conditions are met:

1) The property reserve is reduced to fall within the property limit by the last day of the month; and

2) All other conditions of eligibility are met.

MEM Proc. 91

12. REDUCTION OF EXCESS PROPERTY

As stated on the MC 210 coversheet, all Medi-Cal applicants and beneficiaries have the right to be told about the rules for reducing excess property during any month, including the month of application. Reduction of excess property is the process of reducing one's nonexempt property to within the property reserve limits by the end of the month so as to qualify for benefits. The worker must explain this right whenever form MC 176P is reviewed with the applicant/beneficiary regardless of whether he/she thinks the applicant/beneficiary has nonexempt property which might exceed the limits and regardless of whether he/she thinks the property reserve could be brought below the limits by the end of the month (see Item 13 for retroactive reduction of excess property under *Principe v. Belshe*)

A. Ways to Reduce Excess Property

Allowable ways to reduce excess property include:

DHS Clarification

1) Paying medical bills or other debts. A person cannot prepay future medical expenses. The person may prepay rent or mortgage or other bills or debts. There must be a legal obligation to pay at the time payment is made; or

ACWDL
92-18

DHS Clarification

a) If medical bills are paid or obligated by an applicant/beneficiary to meet his/her share-of-cost or establish eligibility, Medi-Cal will not reimburse that portion of the medical bill. An MC 174 ("Medi-Cal Information Notice to Providers Clarification of Liability") must be completed by the worker and signed by the beneficiary. The original of the MC 174 is sent to the provider, a copy is given to the applicant/beneficiary, and a copy is filed in the case under the medical tab.

Example: A single father of two children went into the hospital and incurred \$10,000 worth of medical bills in that month. He had \$5,000 in a savings account. He was discharged in that same month. He withdrew his money and paid his hospital bill in that month. The following month he went into the county to apply for retroactive coverage. On the Statement of Facts and during the interview he states, and provides verification, that he was in the hospital, that the total bill was \$10,000, and that he paid \$5,000 of the bill with the money from his savings account. In addition, the person had a \$10,000 life insurance policy with a cash value of \$300 and a checking account with \$500, for a total of \$800 of nonexempt property in the retroactive month.

The property reserve limit is \$3,150 for a MFBU of three. The family is under

the appropriate property limit. However, had the father not spent the \$5,000, he would have been over the property limit in that retroactive month. The county must determine what portion of the \$5,000 spent on medical expenses represented excess property.

\$5,000	Property Spent on Medical Care
+ <u>800</u>	Cash Surrender Value & Checking
\$5,800	Total
- <u>3,150</u>	Property Limit
\$2,650	Would Have Been Excess Property

Therefore, of the \$5,000 this person paid toward his medical expenses, only \$2,650 was excess property which may not be reimbursed to the person. If the person is determined eligible for Medi-Cal, the county should complete the MC 174 informing the hospital that Medi-Cal is not liable for \$2,650 of the \$10,000 bill. If the family has no share-of-cost, the hospital must bill Medi-Cal for the services minus the \$2,650 of the \$5,000 which the beneficiary paid. The hospital must reimburse \$2,350 (\$5,000 - \$2,650) to the beneficiary once Medi-Cal pays the claim.

NOTE: None of the \$2,650 in medical expenses in the example above, may be used to meet the applicant/beneficiary's share-of-cost should there be one. If the applicant/beneficiary in the example above had a share-of-cost, all or a portion of the \$2,350 which the applicant/beneficiary paid the hospital could have been applied toward the applicant/beneficiary's share-of-cost. If any were used toward the share-of-cost, that portion could not be billed to Medi-Cal or reimbursed to the applicant/beneficiary.

- 2) Using the excess funds to buy an asset which would be exempt (clothing, home furnishings, burial trusts, etc.); or MEM Proc. 91
- 3) Paying for some service or benefit; or
- 4) A person in long-term care may voluntarily pay an amount in excess of the property limit to the Department of Health Services to avoid discontinuance from Medi-Cal. This process is described in MPG Article 9, Section 12 - Voluntary Repayment of Excess Property Reserves for Persons in Long-Term Care.

NOTE: These expenses must be for an activity or item which was legal at the time and place of the expense. If the applicant or recipient is entering or in long-term care, adequate consideration must be received for all nonexempt property. (See Article 9, Section 7)

B. Verification

If the applicant/beneficiary has verification of expenses (receipts, etc.), a copy should be DHS Clarification

filed in the case folder under the "property" tab. However, verification is not mandatory. If no verifications are available, a signed and dated statement by the applicant/beneficiary is acceptable evidence.

13. PRINCIPE V. BELSHE COURT SETTLEMENT (RETROACTIVE SPENDDOWN ON MEDICAL BILLS) ACWDL 97-41

Under the Principe v. Belshe court settlement, effective with Medi-Cal applications dated February 1, 1998 or after, the Medi-Cal program will allow Medi-Cal applicants to spend excess property retroactively on **qualified medical expenses** to establish eligibility for Medi-Cal beginning with the month of application.

A. Definitions

Qualified Medical Expenses

Qualified medical expenses are bills incurred in any month by:

- The individual or spouse; or
- Any member of the individual's MFBU; or
- The individual's children who are not members of the individual's MFBU but who are living with the individual.

that are unpaid in the same month in which there is also excess property for the entire month beginning with the month of application.

NOTE: **The same medical expenses cannot be applied under both Principe and used to meet the share-of-cost (SOC) or applied to SOC under Hunt v. Kizer.**

Principe Property Exemption

It is an exemption applied to otherwise excess property after that excess property has been spent in a later month on **qualified medical expenses**. The otherwise excess property must have existed for an entire month or months beginning with the month of application.

- The otherwise excess property may have to be converted to cash before it may be spent on qualified medical expenses. In those cases, the cash conversion receives the same exemption for the period of time before it is applied to the qualified medical expenses.
- Once steps are taken to liquidate property, it is to be considered unavailable and it may be possible to establish eligibility for the current month and ongoing at that point if otherwise eligible.

- The exemption does not exceed the amount of otherwise excess property. If an individual spent property which was not in excess of his/her property limit on medical expenses, the individual may be entitled to reimbursement from the medical provider if Medi-Cal eligibility is eventually established for the month in which the service was rendered.

Principe Month(s)

A month or months beginning with the month of application during which the Principe property exemption has been allowed. **The exemption may not be applied to any of the three months immediately preceding the month of application.**

B. Principe v. Belshe Provision

- Applies to individuals who have otherwise excess property for the entire month but who are otherwise eligible.
- Limits the month in which the Principe property exemption may occur to no earlier than the month of application.
- Allows these individuals to spenddown retroactively on qualified medical expenses by applying a Principe property exemption in a month where there is otherwise excess property if:
 - Payments of those qualified medical expenses occur in a later month; and
 - Verification of payments is provided to the worker.
- Does NOT apply to beneficiaries who have received Medi-Cal for sometime and who are suddenly found to have excess property which results in an overpayment. Workers are required to continue to follow the overpayment procedures in MPG Article 16, Section 2 for these granted cases.

C. Current Month Spenddown and Principe Retroactive Spenddown

The Principe provision does not affect those individuals who have excess property and who are able to reduce excess property during the same month. Whenever an individual provides verification of spenddown, under the regular current month spenddown or the Principe retroactive spenddown, the worker must ensure that the form MC 174 is completed. This form lists the medical expenses, the provider who was paid and contains a warning that is against the State law for the provider to bill Medi-Cal or to reimburse the beneficiary for the expenses listed, since the payment was made by the applicant/beneficiary to establish eligibility. This form is triplicate. One copy is sent to the provider, one is provided to the applicant/beneficiary and one is to be retained in the case file (under the medical tab).

D. Examples of Principe v. Belshe Cases

Example 1:

A single father with two children went into the hospital and incurred \$10,000 medical bills in that month. An outstationed hospital worker took his application for Medi-Cal during the month of admission, advised him of the appropriate property limit and options of spenddown including the Principe v. Belshe provision. He was not discharged from the hospital until the month following the month of admission. He had \$5,000 in a savings account. He withdrew his money and paid part of his hospital bill in that second month. During a subsequent interview, he provided verifications of his \$10,000 medical costs and the \$5,000 payment. In addition, he had a \$10,000 life insurance policy with a cash value of \$300 and a checking account with \$500, for a total nonexempt property of \$5,800 in the month of application.

The property limit is \$3,150 for a MFBU of three. The family was over the property limit for the entire month of application. However, the excess property was spent down by the end of the second month by paying \$5,000 toward the hospital bill. The worker must determine what portion of the \$5,000 spent on medical expenses represents otherwise excess property.

Property in the month of application	\$ 5,000	Savings
	<u>+ 800</u>	Insurance cash value & checking
	\$ 5,800	Total
Property limit for three	<u>-3,150</u>	
Otherwise excess property	\$ 2,650	Amount included on MC 174
Amount spent on medical bills	<u>\$-5,000</u>	
Excess property remaining	0	Principe requirement met
Amount spent on medical bills	\$ 5,000	
<u>Principe</u> exemption	<u>\$ 2,650</u>	
Amount that may be reimbursed by the provider or used to meet SOC	\$ 2,350	This amount shall not be included on the MC 174.

In this case, the client only needs to spend \$2,650 to bring his nonexempt property within the limit. Since he paid \$5,000 toward his hospital bill (which is greater than \$2,650), the worker will exempt \$2,650 from his nonexempt property for the month of application. If the client is otherwise eligible, the worker should complete the MC 174 informing the hospital that Medi-Cal is not liable for \$2,650 of the \$10,000 bill. If the family has no SOC, the hospital will bill Medi-Cal for the services provided in excess of the \$2,650, and reimburse the client for the amount he paid in excess of the \$2,650 (\$5,000 - \$2,650 = \$2,350) once Medi-Cal pays the claim.

Example 2:

A single mother with one child applies for Medi-Cal in the middle of a month because her child was injured and incurred medical expenses amounting to \$800. The district provides the MC 007 at the time of application.

During the face-to-face interview which occurs in the second month, the applicant provides verification indicating \$4,000 in a bank account during the month of application. This balance was reduced to \$2,400 in the second month. When asked what she spent the excess property on, the applicant states that at the end of the application month, she paid \$600 for rent, \$100 for utilities and \$100 for groceries. She also paid the medical bill of \$800 in the second month.

The property limit for this MFBU of two is \$3,000. The remaining nonexempt property in the second month is \$2,400. The MFBU meets the property requirement in the second month. Now, the worker needs to determine whether the MFBU also meets property requirements under the Principe provision in the month of application.

Property in the month of application	\$ 4,000	Bank Account
	- 600	Rent paid in the application month
	- 100	Utilities paid in the application month
	<u>- 100</u>	Groceries cost in the application month
	\$ 3,200	Remaining balance
Property limit	<u>-3,000</u>	
Otherwise excess property	\$ 200	To be included on MC 174
Amount spent on medical bills	<u>\$ - 800</u>	
Excess property remaining	0	<u>Principe</u> requirements met
Amount spent on medical bills	\$ 800	
<u>Principe</u> exemption	<u>\$ 200</u>	
Amount that may be reimbursed or used to meet SOC	\$ 600	Do not include this amount on the MC 174

In this case, the client only needs to spend \$200 to bring her nonexempt property within the limit. Since she paid \$800 toward the hospital bill (which is greater than \$200), the worker will exempt \$200 from her nonexempt property for the month of application. If the client is otherwise eligible, the worker should complete the MC 174 informing the hospital that Medi-Cal is not liable for \$200 of the \$800 bill. If the family has no SOC, the hospital will bill Medi-Cal for the services provided in excess of \$200, and reimburse the client for the amount she paid in excess of the \$200 ($\$800 - \$200 = \600) once Medi-Cal pays the claim.

If the applicant paid all her medical and non-medical expenses in the second month (instead of paying the non-medical bills in the month of application as shown above), she would not be eligible for Medi-Cal for the month of application. Under the Principe provision, only payments to medical expenses can be applied retroactively. Therefore,

only the \$800 paid toward the hospital bill in the second month may be used to reduce her property in the application month. This will leave her a remaining property balance of \$3,200 (\$4,000 - \$800) for the application month.

E. Procedure

- In addition to explaining the regular excess property spend down policy, workers also need to inform applicants of their right to reduce excess property by retroactively spenddown on medical bills under the Principe provision during the face-to-face interview, whether or not the applicant appears to have excess property. Workers may use language in the following paragraph to provide Principe information:

If you have property which exceeds the property limit for an entire month for which Medi-Cal is requested, you may still be able to receive Medi-Cal for that month or months if you meet all other eligibility requirements, and you reduce your excess property by paying qualified medical expenses. Qualified medical expenses are bills incurred in any month by you, your spouse or any member of your Medi-Cal Family Budget Unit, or your children who are living with you but who are not members of your Medi-Cal Family Budget Unit. These bills are unpaid in the same month in which there is also excess property for the entire month beginning with the month of application. You may not establish eligibility for Medi-Cal in this way for any of the three months immediately preceding the month of application.

- When the applicant provides verification of retroactive excess property spend down on medical bills, the worker will determine whether the spend down has reduced the excess property to under the limit (see examples above). If yes and the MFBU also meets other eligibility requirements, the MFBU may be eligible for Medi-Cal from the month of application.
- Workers will apply the Principe exemption to whichever is the most beneficial or whichever the family chooses; the MFBU or MBU(s) if Sneed applies.
- Workers will continue to complete eligibility determinations within the 45 and 60-day time limits and deny the application if excess property has not been reduced. **However, if the individual provides verification at a later date (up to three years from the date of the notice of action denying benefits) that excess property was spent on qualified medical expenses, the district which denied the application must rescind the denial and grant the case if other eligibility requirements are met.** If a MC 180 is needed for a month which is more than one year old, the worker will check the second box on the form which states "a court order requires that a card be issued."

14. USE OF FORM MC 176P

Form MC 176P is used to determine which property is included in the property reserve, whether the property is below the property limit, and the period of ineligibility for transfers made without adequate consideration. It is also used to compute income from property. (See MPG Article 10, Section 5 for treatment of income from property.) The worker completes form MC 176P.

A. When to Complete

The completion of form MC 176P is required at the following times:

- 1) When completing a manual intake; and
- 2) At redetermination; and
- 3) Whenever a change in property is reported; and
- 4) Whenever a change in income from property is reported.

B. Where to File

Form MC 176P is filed under the "property" tab in the case folder.

PROPERTY RESERVE WORK SHEET

Name _____ Case Number _____ Month _____

I. NONEXEMPT OTHER REAL PROPERTY (ORP)				II. PROPERTY RESERVE: USE REVERSE TO ITEMIZE OR TO PROVIDE DETAILS																			
A. Determine market value and encumbrances of ORP on reverse, and list in 1 and 2. Note: If ORP owned jointly with persons not in MFBU, list only the share of market value and encumbrances of persons in MFBU.				1. Excess value ORP a. Enter from Col. I, line C1 b. Enter from Col. I, line C5 c. Line 1a – 1b <div style="float: right; text-align: right;">\$</div>																			
1. Market Value per Section 50412 \$				2. Notes, mortgages, deeds of trust NOT from the sale of real property owned by MFBU member \$																			
2. Encumbrances per Section 50413 \$				3. Liquid assets [money, checking/savings accounts, stocks, bonds, etc. (other than for business)] \$																			
3. Net Market Value (line 1 minus line 2) \$				4. CSV of nonexempt life insurance \$																			
4. Life Estate (determine value per Section 50442 and procedure 9A) \$				5. Burial plots, vaults, or crypts not for family use and not exempt from ORP \$																			
5. Net Market Value of notes, mortgages, deeds of trust from sale of real property owned by MFBU member \$				6. Value of designated burial funds in excess of \$1,500 \$																			
6. Total net ORP (add lines 3, 4, and 5) Enter in Column I, line C1 \$				7. Nonbusiness vehicles, boats, vans, or trailers; other than one exempt for transportation																			
B. INCOME FROM NONEXEMPT ORP				<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th style="width: 30%;">Item</th> <th style="width: 30%;">Market Value e.g., DMV license fee x 50 or appraised value</th> <th style="width: 30%;">Encumbrance</th> <th style="width: 10%;"></th> </tr> <tr><td> </td><td> </td><td> </td><td>\$</td></tr> <tr><td> </td><td> </td><td> </td><td>\$</td></tr> <tr><td> </td><td> </td><td> </td><td>\$</td></tr> </table>				Item	Market Value e.g., DMV license fee x 50 or appraised value	Encumbrance					\$				\$				\$
Item	Market Value e.g., DMV license fee x 50 or appraised value	Encumbrance																					
			\$																				
			\$																				
			\$																				
1. Rental Income <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly, if yes, \$ _____ ÷ 12 \$				8. Jewelry, not exempt and valued over \$100 \$																			
2. Upkeep and Repair a. \$ _____ x .15 Line B1 \$ b. + \$4.17 \$ 4.17 c. Line a + b \$ d. Actual upkeep and repair \$ e. Greater of line 2c or 2d \$				9. Other countable property \$																			
3. Interest <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly, if yes, \$ _____ ÷ 12 \$				10. Subtotal property reserve (add lines 1 through 9) \$																			
4. Taxes and Assessments <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly, if yes, \$ _____ ÷ 12 \$				11. Long-term care insurance exemption (benefits paid) - \$																			
5. Utilities <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly, if yes, \$ _____ ÷ 12 \$				12. Community spouse resource allowance - \$																			
6. Insurance <input type="checkbox"/> Monthly <input type="checkbox"/> Yearly, if yes, \$ _____ ÷ 12 \$				13. Total property reserve (line 10 minus 11 and 12) \$																			
7. Total expenses (add lines 2e through 6) \$				14. Number of persons in MFBU _____ Property limit for MFBU \$																			
8. Net rental income (line 1 minus line 7). Enter on MC 176 M Column I or II \$				15. Is line 14 greater than line 13? <input type="checkbox"/> Yes – property eligible <input type="checkbox"/> No – excess property – ineligible Explain property requirements. * If "NO," complete Sneeede Screening below																			
9. Income from ORP other than rental income (Section 50508) (Enter on MC 176 M, Column I or II) \$				III. SNEEDE: PROPERTY SCREENING																			
10. Total income from ORP (line 8 plus line 9) \$				If excess property and MFBU includes child(ren) complete the following:																			
C. UTILIZATION-NONEXEMPT ORP				DOES THE MFBU INCLUDE:																			
1. Total Net Market Value of ORP (from Col. 1, line A6) \$				1. A stepparent with property? <input type="checkbox"/> YES <input type="checkbox"/> NO																			
2. 6% per year utilization requirement \$ X.005				2. An unmarried couple with mutual child(ren)? <input type="checkbox"/> YES <input type="checkbox"/> NO																			
3. Income needed \$				3. A child with own nonexempt property? <input type="checkbox"/> YES <input type="checkbox"/> NO																			
4. a. Is B10 greater than C3? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, utilization met. If no, recompute rental income with actual upkeep and repair, if lower.				4. A nonparent caretaker relative in the same MFBU with the child(ren) for whom care is provided and the caretaker wants Medi-Cal? <input type="checkbox"/> YES <input type="checkbox"/> NO																			
b. Is B10 now greater than or equal to C3? Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, utilization met.				* If "NO" to all of the above, stop here.																			
c. If still no, is utilization period implemented? Yes <input type="checkbox"/> No <input type="checkbox"/>				* If "YES" to any of the above and:																			
5. Exemption: If 4a, b, or c is yes, enter lesser of \$6,000 or line C1. Otherwise, enter ∅. \$				(1) the MFBU includes a parent, complete MC175-2, MC175-3P, and MC175-4.																			
(2) the MFBU does not include a parent, complete MC175-3P and MC175-4.																							
Eligibility Worker Signature		Worker Number		Computation Date		County Use																	

MC 176 P (1/99)

PROPERTY RESERVE WORK SHEET – SECTION 1931(b) PROGRAM

Name _____ Case Number _____ Month _____

A. NONEXEMPT OTHER REAL PROPERTY (ORP)

Determine market value and encumbrances of nonexempt ORP in county use section and list in 1 and 2. Note: If nonexempt ORP owned jointly with persons not in the MFBU, list only the share of market value and encumbrances of persons in the MFBU.

COUNTY USE SECTION

1. Market Value per Section 50412	\$
2. Encumbrances per Section 50413	- \$
3. Net Market Value (line 1 minus line 2)	\$
4. Life Estate (determine value per Section 50442 and procedure 9A)	\$
5. Total net nonexempt ORP (add lines 3 and 4). Enter in B.1.	\$
B. PROPERTY RESERVE	
1. Total net nonexempt ORP from A.5.	\$
2. Notes, mortgages, deeds of trust owned by MFBU member and not producing income	\$
3. Nonbusiness liquid assets (money, checking/savings, stocks, bonds)	\$
4. IRAs and accessible KEOGHs	\$
5. Burial plots, vaults, or crypts (not for family use)	\$
6. Excess revocable designated burial funds (over \$1500)	\$
7. Nonexempt vehicles, boats, vans, trailers, etc. (list items and amounts from MC 176 P-V)	\$
	\$
	\$
	\$
8. Other countable property (list items)	\$
	\$
	\$
	\$
9. Subtotal property reserve (add lines 1 through 8)	\$
10. Long-term care insurance exemption (benefits paid)	- \$
11. Total property reserve (line 9 minus line 10)	\$
12. Property limit for MFBU Number of persons in MFBU _____	\$
13. Is line 12 greater than line 11?	
<input type="checkbox"/> Yes - property eligible	
<input type="checkbox"/> No - property ineligible (see below)	
<input type="checkbox"/> Did you explain spenddown options to ensure the ability to get TMC later?	
<input type="checkbox"/> Did you do the <i>Sneed</i> Screen? (See other side.)	
<input type="checkbox"/> If not eligible for the Section 1931(b) program, determine eligibility for the AFDC-MN program.	

MC 176 P (1/99)

9-1-B
PROPERTY WORKSHEET INSTRUCTIONS
FORM MC 176P

Form MC 176P is used to determine the property included in the property reserve for medically needy (MN) and medically indigent (MI) persons and to determine whether the property reserve is below the property limit. **NOTE:** For stocks, bonds, and mutual funds, their value is the closing price on the date the property is evaluated. The value of all other property should be the lowest values held by the person or family during the month.

Use the space on the back of form MC 176P to itemize or provide detailed information and to determine the period of ineligibility when a transfer without adequate consideration has been made. Enter the case name, case number, and the month for which the determination is being made at the top of the form.

Column I - Real Property

- A. Check whether the person or family owns a principal residence (PR). If yes, indicate whether the PR is real property or personal property.

B. Other Real Property

1. Enter the total market value of all other real property owned by the person or family, such as a second home, a mobile home which is other real property, or a mortgage or deed of trust that is considered other real property. See MPG Article 9, Section 5.
2. Enter the total encumbrances on all the other real property listed in B.1. See MPG Article 9, Section 5.
3. Subtract line 2 from line 1.
4. Life Estates (see MPG Article 9, Section 9).

Enter the value of any life estate owned by a member of the Medi-Cal Family Budget Unit (MFBU) when: (1) the life estate is irrevocable or (2) the life estate is for property not owned by the person prior to the establishment of the life estate. The value of the life estate is determined in accordance with the Internal Revenue actuarial table. Put this computation on the reverse of the form.

NOTE: The value of property in which a person holds a revocable life estate would be listed in B.1. through B.3.

5. Notes, Deeds of Trust, Mortgages From Sale of Other Real Property (see MPG Article 9, Section 9).

Enter the net market value of any note, mortgage, or deed of trust a member of the MFBU obtained from the sale of real property he/she owned. The net market value is the principal amount remaining on the note or the amount the note, mortgage, or deed of trust can be sold for based on an appraisal if the appraisal is lowered.

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6. Add lines 3, 4, and 5. This is the net total other real property. Also enter amount in Column I, line D.1. C.

C. Income From Property

Income from each item of other real property should be computed separately. If there is more than one item of property, show the income determination for one on this form and the other(s) on the reverse of this form or on a separate MC 176P. On line 10, enter the total income from all the items of other real property.

Items 1 through 8 are completed when there is income from the rental of other real property.

If the income is from the rental of rooms, provision of board and room, or provision of board and care, and the income must be considered to determine if utilization requirements are met, determine the net amount in accordance with MPG Article 10, Section 5 and list it in Item 9.

1. Check whether rental income received from other real property is monthly or yearly. If the property is only used seasonally, and therefore, income is considered on a yearly basis, or if the income fluctuates from month to month, enter total received in the year and divide by 12. Enter this amount in the column on the right.
2.
 - a. Enter the amount from line C.1. in the left-hand side of the column. Multiply by .15.
 - b. Add \$4.17.
 - c. Add a. and b. This is the amount allowed for upkeep and repair by the formula.
 - d. Enter the actual amount spent on upkeep and repair. If the other real property is only used seasonally and an average monthly income was entered on line C.1., enter one-twelfth of the annual upkeep and repair here. If actual monthly income is being used, enter actual costs for upkeep and repair. Upkeep and repair costs may not be prorated if actual income is used.
 - e. Enter the greater of line 2.c. or line 2.d. This is the amount that will be allowed for upkeep and repair in determining the net rental income from property.
3. Indicate in the left-hand side of the column whether the amount of interest paid on the encumbrances on the property is paid monthly or yearly. If yearly, divide this amount by 12 to get a monthly amount. Enter the monthly amount in the right-hand side of the column.
4. Indicate in the left-hand side of the column whether the amount of taxes and assessments is paid monthly or yearly. If yearly, divide this amount by 12 to get a monthly amount. Enter the monthly amount in the right-hand side of the column.

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5. Indicate in the left-hand side of the column whether the amount for utilities is paid monthly or yearly. If yearly, divide this amount by 12 to get a monthly amount. Enter the monthly amount in the right-hand side of the column.
6. Indicate in the left-hand side of the column whether the amount for insurance is paid monthly or yearly. If yearly, divide this amount by 12 to get a monthly amount. Enter the monthly amount in the right-hand side of the column. **NOTE:** Federal Housing Administration loans, for example, have an "impounds account" into which property owners pay on a monthly basis for their insurance. It is collected by the insurer annually.
7. Add lines 2.e. through 6. These are the total allowable expenses on the property.
8. Subtract line 7 from line 1. This is the net rental income from the property. Enter this amount on the MC 176M, Column I or II, line 2. (See MPG Article 10, Section 7.)
9. Enter any income received from other real property other than rental income. This includes, but is not limited to:
 - Income from any note, mortgage, or deed of trust from the sale of real property owned by a member of the MFBU. The income amount is the average monthly interest (based on 12 months) received.
 - Income from an irrevocable life estate.

Determine the net income in accordance with MPG Article 10, Section 5. Enter the income on the MC 176M, Column I or II, line 2.

10. Add line 8 and line 9. If you have computed income from more than one item of rental property, also add this income in and note where the computations are.

NOTE: If the only item of other real property is a mortgage or deed of trust which has a net market value of \$6,000 or less and has an interest rate of at least six percent per year, utilization is met and it is not necessary to complete D.

D. Utilization Criteria (see MPG Article 9, Section 5).

1. Enter the net market value of other real property from line B.6. above.
2. One-twelfth of six percent (.005) is preprinted. This is the utilization factor per month.
3. Multiply line 1 by line 2. This is the amount of net income the other real property must be producing per month in order to meet utilization requirements.
4. a. Compare line C.10. to line D.3.
 - If line C.10. is greater than or equal to line D.3., utilization is met. Go to line 5.

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- If line C.10. is less than line D.3. and if the actual upkeep and repair amount in Column I, line 2.d., is lower than the amount in Column I, line 2.c., enter amount in line 2.e. in the right column and recompute line C.10. Otherwise go to Column I, line 4.c.
 - b. Compare recomputed amount in line C.10. again to line D.3. If line C.10. is now greater than or equal to line D.3., utilization is met. Go to line 5.
 - c. If line D.3. is still greater than line C.10., indicate whether utilization period is implemented (see MPG Article 9, Section 5).
5. Determine whether an exemption of the first \$6,000 of the combined net market value of other real property is appropriate. See MPG Article 9, Section 5. If a, b, or c in Column I, line 4, is yes, enter lesser of \$6,000 or the total net market value of the other real property from Column I, line D.1. Otherwise enter 0.

Column II - Property Reserve

- A. Enter the number of persons in the MFBU. Only the property of members of the MFBU is included in the property reserve. If only one member of a couple is in the MFBU (lone-term care, board and care, and step-parent cases), only the share of community property of the spouse in the MFBU is included in the property reserve.

B. Property Included in Property Reserve

1. Determine the excess value of real property.
 - a. Enter total net market value of other real property from Column I, line D.1.
 - b. Enter the property exemption from Column I, line D.5.
 - c. Subtract line b. from line a. and enter amount.
2. Enter the net market value of mortgages, notes, and deeds of trust which were not obtained from the sale of real property that was owned by a member of the MFBU. The net value is the amount the mortgages, notes, or deeds of trust can be sold for, minus any encumbrances. See MPG Article 9, Section 9.
3. Enter the total amount of liquid assets, including cash, savings and checking accounts, stocks and bonds. Do not include liquid assets used in a business.
4. Enter the cash surrender value (CSV) of life insurance which is not exempt. See MPG Article 9, Section 11.

Non-exempt CSV is the property of the owner of the policy.

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5. Enter the net market value of burial plots, vaults, or crypts which are not exempt. See MPG Article 9, Section 11. Only one burial plot, vault, or crypt per family member is exempt. Note that burial plot which is not for family use is other real property and should be included in the computation of other real property.
6. Enter the value of burial contracts or trusts for any person in the MFBU which are not exempt. See MPG Article 9, Section 11. Only the first \$1,000 paid for revocable burial contract or trust for that person shall be exempt. The first \$1,800 of an irrevocable burial trust is exempt.
7. Enter in the right column the net market value of vehicles, boats, campers, mobile homes, and trailers which are not taxed as other real property. Do not include the one vehicle which is exempt for transportation. See MPG Article 9, Section 6.

To determine the net market value, list each item. Then, for each item, list the corresponding market value and the encumbrances. The net market value of each item is its market value minus its encumbrance.

To determine the market value of each item:

- a. Multiply the Department of Motor Vehicles (DMV) license fee by 50 and enter, unless the item is not taxed by DMV or the owner does not agree with the value established by DMV. The DMV license fee chart is in MPG Article 9, Section 6.
 - b. If the item is not licensed by DMV, enter the purchase price, the average of three appraisals, or the value established by the county assessor.
 - c. If the vehicle, boat, camper, or trailer is taxed by DMV, but the owner disagrees with the value, he/she may provide three appraisals. The average of these is considered the value of the property.
8. Enter the combined net market value of each item of jewelry valued at more than \$100, other than wedding or engagement rings or heirlooms.
 9. Business property may be property necessary for employment, rehabilitation, or self-support.
 - a. Enter property normally used for employment, i.e., work for another person, or used for rehabilitation which is not exempt (see MPG Article 9, Section 8).
 - b.
 - (1) Enter the net market value of all equipment, inventory, licenses, or materials used as a means of complete or partial self-support. List the property on the reverse of this form or on an attachment.
 - (2) One-twelfth of six percent (.005). This is the reasonable rate of return factor for one month.
 - (3) Multiply (1) by (2). This is the amount of monthly income the property necessary for self-support must produce in order to be producing a reasonable rate of return.

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(4) Enter the average monthly income from the property. This is determined by dividing yearly income by 12 in accordance with MPG Article 9, Sections 4 and 5. If the means of self-support has been in operation for less than a year, average the income over the period of operation.

(5) Check "yes" or "no" to indicate whether the monthly income is equal to, or greater than, the rate of return it must have in order to be exempt.

If "yes" is checked, the property is producing a reasonable rate of return. Enter 0 in the column on the right.

If "no" is checked, the property is not earning a reasonable rate of return. Determine if the applicant/beneficiary may be given a period of time in which to obtain a reasonable rate of return in accordance with MPG Article 9, Section 8. If not, enter the total net market value of the equipment, inventory, licenses, and material (line 9.b.(1)) in the column on the right.

10. a. Enter the total liquid assets of the business in the month. This is the lowest balance in the month after subtracting any income received in the month.
- b. Enter the average monthly expenditures for the business based on the applicant's/beneficiary's statement. Multiply this by 3.
- c. Subtract line 10.b. from line 10.a. If less than zero, enter 0. This is the amount of liquid assets from the means of self-support that is considered part of the property reserve.
11. Enter the net market value of any other property owned by members of the MFBU which must be considered in accordance with the property regulations. List property on the reverse of the form.
12. Add lines 1 through 11 to determine the total property reserve. This is the total amount considered available to the MFBU.
13. Enter the appropriate property limit in accordance with MPG Article 9, Section 1.
14. Compare line 13 to line 12. If line 13 is greater or equal to line 12, the person or family is eligible for Medi-Cal. If line 13 is less than line 12, the person or family is not eligible for Medi-Cal. The County must explain property requirements, including the provision that the value of property may be reduced to the specified limit in any way, except that non-exempt property cannot be transferred for less than fair market value or without adequate consideration, in accordance with MPG Article 9, Section 7.